

# Legislative Tax Update

**May 2010**

*The 2010 Legislature made a number of changes to taxes and programs administered by the Department of Revenue. Here is a brief summary of some of the bills that were signed into law. To see a comprehensive list of changes to tax law, with links to each bill, visit our website at [dor.wa.gov/NewLegislation](http://dor.wa.gov/NewLegislation).*

## **Temporary B&O tax increase**

2ESSB 6143 (Section 1101) Most business activities under the Service & Other Activities, and Gambling Contests of Chance (greater than \$50,000) B&O tax classifications are subject to a temporary B&O tax increase of 0.3 percent bringing the rate to 1.8 percent and 1.93 percent respectively. An exemption is provided for hospitals and scientific research and development activities. Businesses subject to this increased rate may be entitled to a small business credit not to exceed \$70 per month. *Effective May 1, 2010.*

## **Cigarette and other tobacco products increase**

HB 2493 increases the cigarette tax by \$1.00 to \$3.025 on a package of 20 cigarettes. The tax on Other Tobacco Products (OTP) (except little cigars and moist snuff) increases from 75 to 95 percent of taxable sales price, with the cap per cigar increasing from 50 to 65 cents. Little cigars become a separate category of OTP, taxed at the same rate as cigarettes. Moist snuff also becomes a separate category of OTP but continues to be taxed at 75 percent until October 1, 2010, when it will be taxed at the greater of \$2.526 or 83.5 percent of the cigarette tax on each single unit of 1.2 ounces or less and proportionately on larger units. *Cigarette and OTP tax increase effective May 1, 2010. Moist snuff increase effective October 1, 2010.*

## **Bottled water exemption repealed**

2ESSB 6143 (Section 901) Sales of bottled water are subject to the retail sales tax; this includes bottled water that is delivered to the buyer in a reusable container. Sales of bottled water for medical reasons or where consumers lack a potable source are exempt from the sales and use tax. *Effective June 1, 2010.*

## **Candy and gum sales tax exemption repealed; B&O jobs credit**

2ESSB 6143 (Section 901) Sales of candy and gum are subject to the retail sales tax. Candy manufacturers may receive a B&O tax credit of \$1,000 for each employment position maintained for a calendar year. To find out whether a product is taxable, the Department will make available a downloadable list of more than 3,000 products. The list will be on our website at [dor.wa.gov/NewLegislation](http://dor.wa.gov/NewLegislation). *Effective June 1, 2010.*

## **Carbonated beverage tax temporarily imposed**

2ESSB 6143 (Section 1401) temporarily imposes a tax of \$.02 per 12 ounces on sellers of bottled carbonated beverages. The tax is imposed on every person for the privilege of selling carbonated beverages in Washington. The tax does not apply to successive sales of previously taxed carbonated beverages. The tax increase is scheduled to expire on June 30, 2013. *Effective July 1, 2010.*